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ACTION EB-00

INFO LOG-00 NP-00 AF-00 AID-00 CEA-01 CIAE-00 CTME-00
INL-00 DODE-00 DOEE-00 ITCE-00 DOTE-00 DS-00 EXME-00
EUR-00 E-00 FAAE-00 UTED-00 VC-00 FRB-00 H-00
TEDE-00 INR-00 LAB-01 VCE-00 AC-00 NEA-00 NRC-00
NSAE-00 NSCE-00 OES-00 OMB-00 NIMA-00 EPAU-00 MCC-00
PER-00 GIWI-00 ACE-00 SP-00 IRM-00 SSO-00 SS-00
STR-00 TRSE-00 FMP-00 BBG-00 EPAB-00 IIP-00 SCRS-00
DSCC-00 PRM-00 DRL-00 G-00 NFAT-00 SAS-00 SWCI-00
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FM AMEMBASSY NDJAMENA
TO SECSTATE WASHDC 2429
INFO AMEMBASSY ABUJA
AMEMBASSY BAMAKO
AMEMBASSY COTONOU
AMEMBASSY DAKAR
AMEMBASSY LONDON
AMEMBASSY NIAMEY
AMEMBASSY PARIS
AMEMBASSY YAOUNDE
USDOC WASHDC

UNCLAS NDJAMENA 001521

SIPDIS

DEPT FOR AF, EB, ENERGY FOR CAROLYN GAY AND GEORGOPEARSON,
TREASURY FOR OTA, LONDON AND PARIS FOR AFRICA WATCHERS,
DAKAR FOR FCS REPRESENTATIVE CYNTHIA GRIFFITH GREENE

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ENRG](#) [PGOV](#) [CD](#)

SUBJECT: ESSO IN CHAD: CURRENT TRAVAILS, AND CONCERNS DOWN
THE ROAD

REF: A. A)NDJAMENA 1227

[B. B\)NDJAMENA 1284](#)

[C. C\) NDJAMENA 1431](#)

[11.](#) (SBU) SUMMARY: Esso's labor, transportation and royalties issues with the GOC continue to brew. The company has attempted to improve relations with the Government by sponsoring the visit of GOC officials to oil market operations in London and Washington. However, GOC officials continue to criticize Esso for what it see as a failure to communicate. Finally, the company is quite concerned with possible revisions to the Revenue Management Laws, and believes that any revisions that appear to affect the transparent spirit of the laws will lead to criticism of the Consortium. END SUMMARY.

TCC SAGA: SOLUTION IS NEAR, OR IS IT?

[12.](#) (SBU) During a September 16 phone conversation, Esso Country Manager Ron Royal told the Ambassador that the company had presented a proposal aimed at resolving the dispute involving ex-employees of former sub-contractor TCC demanding compensation for overtime hours (see Reftel A). According to Royal, the company sent a formal letter to Prime Minister Yoadminadji recommending the creation of a independent panel to be composed of representatives of TCC, the Chadian national labor union UST (the primary advocate for the ex-employees), and an auditor from Ernst and Young. The panel would review the cases on an individual basis, and the auditor would determine whether an ex-employee truly worked the number of additional hours that he or she maintained.

[13.](#) (SBU) Royal noted that while this process would involve reviewing hundreds of employee case files, it would be a fair and acceptable compromise for Esso. The alternative, which would involve a collective settlement for all employees (even those who may not have worked additional hours), would establish a dangerous precedent for ex-employees who made similar allegations. For the government's part, Prime Minister Yoadminadji told the Ambassador on September 30 that he had instructed that the proposal be forwarded to UST and was awaiting a response.

[14.](#) (SBU) On September 20, UST General Secretary Djbrine Assali told E/C officer that UST had received word of Esso's proposed settlement through informal channels, and asserted that the ex-employees would never accept a solution that did not involve a collective agreement of all TCC employees. Assali noted that he would call on the International Labor Organization to conduct an investigation on the matter, and

expressed optimism that international pressure against the consortium would benefit the cause of the ex-employees. He also showed E/C officer a letter that UST sent to the Minister of Labor asserting that the organization would not negotiate with the Government or Esso until protesters incarcerated following a demonstration by the ex-employees in Kome on September 19 were released (NOTE: We have not been able to confirm the detention of the protesters in Kome. END NOTE). He stated that the Government could never convince UST to accept a settlement with Esso and TCC on this matter.

AIRLINE ROYALTIES DISPUTE COMES BACK

15. (SBU) Esso also attempted to resolve a dispute with the GOC concerning the payment of royalties of its charter flights from N'Djamena to Kome (a problem that it faced last year as well). According to Royal during his conversation with the Ambassador, the Director of Civil Aviation informed Esso on September 15 that the Consortium's charter air-service provider Shreiner was required to pay the Chadian national airline Air Toumai a royalty of \$150,000 per month, as indicated by the Convention that created Air Toumai in 1988. Esso has maintained that 1988 Convention frees the Consortium of any royalty payments, including royalties on air carriers. While the GOC was not able to provide a legal

response to this issue, it still maintained that Esso had an obligation to pay the royalties. Royal stated that he was already trying to explore an alternative to transport the company's workers to Kome, one of which included the possibility of driving workers from Cameroon into Chad. He did express concern, however, that the Chadian government may try to prevent Esso workers from entering the country, if such measures were taken.

16. (SBU) Following the Ambassador's conversation with Royal, Shaw informed E/C Officer on September 20 that the Government had decided to allow Shreiner, for the moment, to continue to operate without paying any royalties, but would revisit this issue with the Consortium in December. In a meeting between National Coordinator for the Doba Oil project Haroun Kabadi and the Ambassador, Kabadi stated that the pressure by the Government arose because new government officials were unclear of the importance of maintaining positive relations with international investors. He also stated that the ultimate goal of the Chadian government is to promote the growth of its national airline, and the GOC would probably suggest that Toumai eventually become the carrier for Esso's operations in the future.

CONTINUED TALK OF A NATIONAL OIL COMPANY

17. (SBU) Amid these disputes, discussions of a national oil company to market Chadian crude continue in GOC circles (see ref. B). Minister of Petroleum Oumar Hassan explained to the Ambassador on September 19 that the Government is still extremely interested in this idea. According to the Minister, while the Government is not certain whether it can achieve the same price that Esso obtains in the international market, the existence of a national oil company will demonstrate the responsibility of the GOC in managing its own affairs. While the Ambassador expressed concern over the maintenance of transparency of such a company, Hassan assured the Ambassador that the Government would take the necessary legislative precautions to ensure that any such company was free of corruption and malfeasance. Abdelkarim Abakar, Director of Oil Revenue Legislation at the Ministry of Petroleum, affirmed the Minister's comments to E/C Officer, on September 28, and said the Ministry was beginning the process of developing a proposal to deliver to the National Assembly by the end of this year.

ESSO REACHES OUT TO THE GOVERNMENT, WITHOUT MUCH SUCCESS

18. (SBU) In response to the concerns prompting discussion of a national oil company, Esso recently sent two officials from the Ministry of Petroleum, one of which was Abakar, to Exxon-Mobil's trading office in Fairfax to see first-hand how Doba crude is priced. The officials also visited the international oil market in London to meet with crude oil traders and observe the pricing of oil. Abakar told E/C officer that he was appreciative of the opportunity afforded by Esso. He maintained, however, that the visit solidified the question of why Doba crude was priced so low when the price of oil in the international markets was priced at such a high level. He also argued that, if Esso was truly willing to communicate openly with the Government on the pricing of Doba crude, it would have organized this visit a long time

ago.

REVISIONS TO THE OIL REVENUE LAWS: BAD NEWS FOR ESSO?

19. (SBU) As discussions to revise to the existing Revenue Management laws intensify, Esso is expressing concern over the implications of any changes to the Revenue Management laws on the company. Royal told the Ambassador that in a meeting between President Deby and World Bank Representative Noel Tshiani during the previous week, the President stated that efforts to change the Revenue Management laws would commence when the National Assembly convened in October. He pointed to the intense pressure the government was facing to

pay salaries to civil servants, and noted that the inability of the GOC to utilize resources from the Fund for Future Generations to improve existing economic conditions was only hurting matters. Royal expressed concern that any changes to the Revenue Management laws that altered the spirit of the laws would come back to haunt the Consortium.

COMMENT

10. (SBU) These are clearly not the best of the times for the Consortium. The lingering dispute with ex-employees of TCC is having a destabilizing effect on the Consortium's activities in the South, as strikes and demonstrations, while mostly peaceful, have created security concerns and temporarily hampered operations in Kome. While the Consortium believes the end of the dispute is near, UST's unwillingness to participate in the resolution jeopardizes any long-term settlement. The recurring quarrel over airline royalties, while solved for the moment, will come to the forefront in December, and will do little to inspire good relations between the GOC and Esso. Complicating matters is the continued insistence by the GOC that it can market its crude more effectively than the Consortium. The Government appears set to create a national marketing company, even though any involvement by the GOC in the marketing of Doba crude will call into question the transparency of the Revenue Management Process and undoubtedly create further friction with the Consortium.

11. (SBU) The most pressing questions remains treatment of revenues. Esso is justifiably concerned by the effect of any changes to the Revenue Management laws on its international image. The Consortium already received a scare when the Government formally proposed depositing new oil revenues not covered by those laws directly in the Public Treasury (see reftel C). While the Government eventually backed off this request, and permitted the revenues to follow the existing revenue management process, the Consortium expects the GOC to insist on depositing the next payment from the new fields directly into its account.

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